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AICPA *Washington Report*

October 3, 1977, Volume VI, Issue 32

Agriculture	Hearings on Child Nutrition Programs scheduled	p. 1
CAB	Reply comment period extended on model corporate disclosure proposals.	p. 1
Commerce	Revised EDA regulations published.	p. 1
CFTC	1976 Annual Report now available	p. 1
FEA	New foreign oil supply agreements reporting rule issued.	p. 1
	Amendments to petroleum price regulations proposed	p. 1
FPC	Amendments to Form 423 proposed.	p. 2
GAO	Report on noncompetitive procurement recommends changes.	p. 2
HEW	Statement of NHI Issues published.	p. 2
	Changes to college work-study program regs proposed.	p. 2
	Medicare-Medicaid fraud and abuse bill passes House.	p. 2
SEC	SAB No. 17 updates SAB No. 1 index	p. 3
	Proposals on auditor changes and services announced.	p. 3
	Hearings commence on corporate governance.	p. 3
	Small life insurance company reporting rules deferred.	p. 3
State	Advisory group on multinationals schedules meeting	p. 4
Treasury	Rev. Rul. 76-453 is indefinitely postponed	p. 4
	Antirecession fiscal assistance regulations amended.	p. 4
	"Piggybacking" tax guidance for States proposed.	p. 4
	Joint Tax Committee issues simplification study.	p. 4
Special	AICPA National Conference on Federally Assisted Programs	p. 5

AGRICULTURE, DEPARTMENT OF

A series of public hearings on the Child Nutrition Programs will be held for the purpose of considering public comments and concerns about the operations, procedures and effectiveness of the Programs. The topics to be considered include: financial support and cost of participation; federal, state and local relationships; and administrative expenses. The hearing dates and locations are: 10/25 and 10/26/77 - Chicago and New York City; 10/27 and 10/28/77 - Denver and Boston; 11/1 and 11/2/77 - Atlanta and San Francisco; 11/3 and 11/4/77 - Seattle and Dallas. For more information, contact regional directors of the Food and Nutrition Service. (See 9/23/77 Fed. Reg., p. 48360).

CIVIL AERONAUTICS BOARD

An extension of time for filing comments and reply comments on a rulemaking proceeding concerning the Model Corporate Disclosure Regulations has been granted. The comment period ended 9/30/77; but reply comments may be filed until 10/15/77. For more information, contact Stephen Babcock, 202/673-5442.

COMMERCE, DEPARTMENT OF

Revised regulations governing the requirements for obtaining State and local economic development planning assistance appeared in the 9/29/77 Fed. Reg., pp. 51559-61. The regulations require conformance with the EDA financial requirements and OMB Circular A-102. Although made effective upon publication, comments may be filed until 10/31/77.

COMMODITY FUTURES TRADING COMMISSION

The Commission's 1976 Annual Report is now available. The report gives a brief history of the Commission, an overview of the organization, and a description of the responsibilities and methods of the various divisions. Copies of the report may be obtained from the GPO for \$2.30 each (S/N 052-003-00417-8).

FEDERAL ENERGY ADMINISTRATION

A final rule establishing new reporting requirements with respect to foreign oil supply agreements in order to provide the government with a more comprehensive and usable data base appeared in the 9/23/77 Fed. Reg., pp. 48328-31. Included in the new rule is a definition of the term "cost", which for reporting purposes will be interpreted to mean only the cost of providing services; the reporting requirement for the cost of production for equity crude has been eliminated. Service costs should be interpreted in accordance with a firm's customary, generally accepted accounting procedures. This rule became effective on 9/19/77.

Proposed amendments to the Mandatory Petroleum Price Regulations to price petroleum products received in exchanges, which are agreements between refiners, resellers and retailers to give away one product in return for another appeared in the 9/23/77 Fed. Reg., pp. 48342-49. The purpose of

these amendments is to state in the regulations the FEA compliance policy regarding the method for determining the increased costs attributable to petroleum products exchanged. Comments on these amendments are due by 10/11/77, and a hearing will be held on 10/13/77 in Room 2105, 2000 M Street, N.E. Washington.

FEDERAL POWER COMMISSION

A proposed rule to amend the reporting requirements of Form 423, Monthly Report of Cost and Quality of Fuel for Electric Plant, which is currently required of electric power producers, appeared in the 9/29/77 Fed. Reg., pp. 51609-11. The change is proposed in response to complaints that some of the information collected on Form 423 causes injury to those who file, and their customers, in negotiating new contracts. The Commission proposes to continue collecting the data but to limit its distribution. Comments are due by 10/14/77.

GENERAL ACCOUNTING OFFICE

In an oversight report to Congress, GAO has urged all Federal agencies to provide annual statistics on supplies and services procured through noncompetitive contract and information on actions taken to increase competitive procurements. In the report, "Competition For Negotiated Government Procurement Can and Should Be Improved" (PSAD-77-152), GAO found that many recent noncompetitively negotiated procurements were unjustified. GAO recommended that the OFPP take steps to ensure that adequate and uniform regulations are developed to enable all Federal agencies to comply with the national policy to obtain competition whenever possible. Copies of the report are available for \$1 each from the GAO Reports Department, 202/675-6421.

HEALTH, EDUCATION AND WELFARE, DEPARTMENT OF

The Statement of Issues to be considered at the Secretary's hearing on National Health Insurance was published in the 9/28/77 Fed. Reg., pp 49846-47. The hearing is scheduled for Tuesday, 10/4/77, at the New North Auditorium, in Washington. Written comments on these issues may be submitted by 11/1/77.

Proposed regulations implementing changes to the college work-study program mandated by the Education Amendments of 1976 appeared in the 9/28/77 Fed. Reg., pp. 49904-23. The regulations would require institutions to submit to fiscal and compliance audits at least once every two years. The audits would have to be performed in accordance with the "HEW Audit Guide" for student financial aid programs. Comments are due by 11/4/77.

The Medicare-Medicaid Antifraud and Abuse Act (HR 3) passed the House 9/23/77 on a vote of 362 to 5. The bill now goes to the Senate for consideration where a similar measure there (S.143) has been approved by the Senate Finance Committee. Among other provisions, HR 3 includes requirements for the establishment by HEW of a uniform cost reporting system for each type of health services institution.

SECURITIES AND EXCHANGE COMMISSION

An update and revision to the Table of Contents, Subject Matter Index, and Index to Citations, originally issued in SAB No. 1 was published as SAB No. 17, 9/21/77. The revisions reflect the integration of all subsequently issued SABs through SAB No. 16. A reprint of SAB 17 appeared in the 9/27/77 Fed. Reg., pp. 49445-51

Two proposed rulemaking proceedings were announced last week concerning auditor changes and disclosure of relationships with IPAs. In Rel. No. 33-5868, the SEC proposed the required disclosure of (1) the reasons for auditor changes, and (2) whether the decision to change auditors was approved by the registrant's Board or its Audit Committee. Rel. No. 33-5869 would require disclosure in a company's proxy materials of (1) the services provided during the last fiscal year by the company's auditors and the related fees, (2) whether the Board or Audit Committee has approved all services, and (3) the company's revenues derived from the auditors. Also included in the latter release is a request for information and comments on the nature of services auditors provide their audit clients. Comments on both releases are due by 11/30/77.

Anyone wishing to receive one free copy of both releases may do so by contacting our Washington Office prior to 10/12/77 and requesting Document 32-1. Telephone requests are encouraged and should be directed to extension 47.

Hearings started last Thursday before the SEC in its study of shareholder communications, shareholder participation in the corporate electoral process, and corporate governance. Lead-off witnesses included Senator Metzenbaum (D-Ohio) Chairman of the Subcommittee on Citizens and Shareholders Rights and Remedies; Joel Seligman, Professor of Law at Northeastern University and co-author of the Ralph Nader proposal for federal chartering of corporations; and Chairman Michael Pertschuk of the FTC. Sen. Metzenbaum stated that he favors federally prescribed minimum fiduciary standards for corporate directors as opposed to federal chartering, but that he could support such a proposal if minimum standards should fail.

Chairman Pertschuk announced the formation of a Task Force on Corporate Accountability, under the direction of the FTC Office of Policy Planning, to explore such topics as "the extent to which greater disclosure of audit data may be necessary if competition is to be fostered; and whether 'social audits' of a company's behavior would promote greater fairness in the market." He pledged to the SEC the cooperation of his staff and the new Task Force, and encouraged the exchange of information "in areas of mutual interest."

The effective date of the quarterly reporting requirements for life insurance companies whose shares are not actively traded has been deferred until 1979. In ASR 228, 9/28/77, the SEC said the delay is necessary to allow sufficient time to fully consider the recommendations of the Advisory Committee on Corporate Disclosure regarding the special problems of smaller companies. The deferral is from 12/25/78, to 12/25/79.

STATE, DEPARTMENT OF

The Advisory Committee on Transnational Enterprises will hold its ninth meeting on 10/20/77, in Room 1107 of the Department of State Building, 2201 C Street NW, Washington. The purpose of this open meeting will be to discuss ongoing work regarding questionable payments, codes of conduct relating to transfers of technology, transnational enterprises and transborder data flows. For additional information or to arrange entrance to the meeting, contact Stephen Bord at 202/632-0349.

TREASURY, DEPARTMENT OF

Rev. Rul. 76-453, dealing with the tax treatment of the transportation expenses incurred in going from home to work, has been indefinitely postponed. The rule, originally announced last December, has been postponed 3 times previously and was to have taken effect 10/1/77. The last postponement was a reflection of the opposition to the ruling from accountants, salesmen, contractors, government employees, and others who often travel to temporary job sites. In the last announcement, IRS said that proposed regulations will be issued shortly inviting public comments on this issue.

Amendments to the interim regulations governing the Antirecession Fiscal Assistance Program under the Public Works Employment Act of 1976 were published in the 9/27/77 Fed. Reg., pp. 48546-63. The regulations concerning fiscal procedures and audits were amended to require that the scope of any audit shall be of the same financial and compliance type as required by the General Revenue Sharing regulations.

Proposed regulations designed to provide States with guidance needed to decide whether to choose Federal collection and administration of their individual income taxes were proposed in the 9/29/77 Fed. Reg., pp 51790-807. The "piggybacking" system allows the Federal Government to collect the income tax imposed by a State as if they were Federal taxes, and then turn over the revenue collected to the electing States. The system is designed to increase efficiency and eliminate double recordkeeping by taxpayers. Comments are requested by 12/14/77.

"Issues in Simplification of the Income Tax Laws" has been released by the Joint Committee on Taxation. The staff study, prepared pursuant to the 1976 Tax Reform Act, is designed to promote consideration and discussion by the public, tax practitioners, the Administration, and Members of Congress, concerning simplification of the tax laws and the potential impact upon other tax law objectives. The study, for example, outlines the difficulties that would arise if the capital gains preference were repealed, including the effect on capital formation. Copies of the report are available by calling 202/225-3621.

SPECIAL: AICPA National Conference on Federally Assisted Programs

The AICPA Subcommittee on Federally Assisted Programs will hold its annual Conference on November 7-8, at the Capitol Hilton Hotel in Washington. Panelists for the conference have been drawn from governmental agencies responsible for directing Federal audit objectives and CPAs experienced with auditing and reporting on Federally assisted programs. Speakers will include: Richard M. Harden, CPA, Special Assistant to the President; Elmer B. Staats, Comptroller-General; and A. Vernon Weaver, Administrator of SBA. Among the topics to be covered are procurement of accounting services, contracting-billings and collections, Federal agency audit guides, operational auditing, and conducting Federal audit engagements. For additional information, contact the AICPA Meetings Department at 212/575-6451.

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